

Message Text

CONFIDENTIAL

PAGE 01 BANGKO 01650 171007Z
ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 ISO-00 CIAE-00
DODE-00 PM-05 H-01 INR-07 L-03 NSAE-00 PA-01
PRS-01 SP-02 SS-15 AID-05 COME-00 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 NSCE-00
SSO-00 USIE-00 INRE-00 GSA-02 STR-06 CEA-01 INT-05
NEA-10 /129 W

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O R 170923Z JAN 78
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC IMMEDIATE 8212
INFO AMEMBASSY LONDON IMMEDIATE
AMEMBASSY BONN
AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY KINSHASA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LAGOS
AMEMBASSY LA PAZ
AMEMBASSY TOKYO

C O N F I D E N T I A L BANGKOK 1650

EO 11652: GDS
TAGS: EMIN, ITC
SUBJ: U.S. PARTICIPATION IN THE ITC

REF: (A) STATE 10989, (B) STATE 08271, (C) 77 BANGKOK 21386

1. EMBOFFS, IN JANUARY 17 DISCUSSION WITH DEPUTY DIRECTOR GENERAL (CHANA NILKUHA), DEPARTMENT OF MINERAL RESOURCES, MINISTRY OF INDUSTRY, REVIEWED SUBSTANCE OF REFS. A & B. CHANA SAID RTG DEL IN LONDON WILL SUPPORT DECISION BY MAJOR PRODUCERS TO SEEK INCREASE IN FLOOR PRICE OF TIN TI M\$ 1400 PER PICUL AND CEILING PRICE TO M\$ 1700. HE REITERATED STANDING RTG RATIONALE THAT INCREASE IN FLOOR PRICE IS NECESSARY IN ORDER
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PAGE 02 BANGKO 01650 171007Z

STIMULATE NEW INVESTMENT IN INDUSTRY OVER LONG TERM. CHANA INSISTED SALES OF TIN FROM U.S. STRATEGIC STOCKPILE COULD INFLUENCE MARKET ONLY OVER SHORT TERM.

2. WITH REGARD TO PRODUCTION, CHANA, WHO WAS INSTRUMENTAL IN PERSUADING THANIN GOVERNMENT TO INCREASE TIN ROYALTIES IN 1977 (REF. C), CONFIRMED PRESS REPORTS THAT CABINET LAST WEEK

APPROVED A REDUCTION IN ROYALTIES. HE SAID DETAILS OF NEW SCHEDULE MUST REMAIN SECRET FOR-TIME BEING. "BANGKOK POST" ON JANUARY 14 QUOTED MINISTER OF INDUSTRY AS SAYING ROYALTIES WILL NOT EXCEED 30 PERCENT OF VALUE OF PRODUCTION. CURRENT ROYALTY SCHEDULE PROVIDES FOR ASSESSMENT ON SLIDING SCALE UP TO 50 PERCENT OF VALUE OF PRODUCTION (BANGKOK 77-19169). FOR WHAT IT MAY BE WORTH, CHANA, WHO STATED THAT RTG "AS SOVEREIGN NATION DOES NOT NEED TAX SEMINARS" FROM FOREIGN GOVERNMENTS, SAID RTG DECIDED TO REDUCE ROYALTIES IN RESPONSE TO REPRESENTATION BY U.S. AND OTHER GOVERNMENTS (REF. C).

3. CHANA, WHO CLEARLY DISAPPROVES OF NEW POLICY, "HOPED" THAT RTG WILL BE ABLE TO "MAKE UP FOR LOSS OF REVENUE" IN 1978 BY ROYALTY PAYMENTS FROM NEW AND/OR INCREASED PRODUCTION THIS YEAR. HE ADDED THAT DESPITE ROYALTY INCREASE LAST YEAR, TIN PRODUCTION INCREASED TO ABOUT 23,000 M/T IN 1977 FROM ABOUT 20,000 M/T IN 1976. THIS WAS PRESUMABLY IN ADDITION TO TIN SMUGGLED OUT OF COUNTRY, ALTHOUGH CHANA AVERRED THAT SMUGGLING HAS FALLEN OFF SHARPLY AS RESULT JOINT ACTION BY RTG POLICE, CUSTOMS, AND NAVY FORCES, BUTTRESSED BY REWARDS TO INFORMERS AND CAPTORS OF 25 PERCENT OF VALUE OF SMUGGLED SHIPMENTS SEIZED. WE HAVE NOT SEEN ANY EVIDENCE, NOR DID CHANA CITE ANY, TO SUPPORT THIS CLAIM. IN FACT, CHANA SAID THAT GOVERNMENT OF SINGAPORE HAS NOT REPEAT NOT BEEN RESPONSIVE TO RTG REQUESTS FOR ASSISTANCE IN CLAMPING DOWN ON SMUGGLERS WHO USE SINGAPORE AS ENTREPOT FOR SHIPMENTS, PRIMARILY TO SPAIN, MEXICO, AND BRAZIL, CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BANGKO 01650 171007Z

AND URGED THAT CONSUMER GOVERNMENTS FORBID THEIR NATIONAL CONSUMERS TO PURCHASE SMUGGLED TIN. HE SAID RTG PLANS TO RAISE SMUGGLING PROBLEM IN FORTHCOMING ASEAN CONSULTATIONS AND WILL PROPOSE COORDINATED APPROACH TO PROBLEM. CHANA RECALLED EMBOFF'S EARLIER PROPOSAL (THAT RTG SUBSTITUTE TAX ON PROFITABILITY OF MINING FIRMS FOR DIRECT TAX ON VALUE OF PRODUCTION AS MEANS BY WHICH SMUGGLING PROBLEM COULD BE MITIGATED) AND SAID RTG SIMPLY NOT ABLE COLLECT INCOME TAXES SUCCESSFULLY.

4. FINALLY, CHANA STATED THAT RTG IS ACTIVELY PROMOTING PRIVATE INVESTMENT IN MINING FIELD AND THAT UNDER INVESTMENT LAW OF MAY 4, 1977, RTG GRANTS PROMOTIONAL PRIVILEGES TO DOMESTIC AND FOREIGN INVESTORS INTERESTED IN PROSPECTING, MINING, AND ORE DRESSING VENTURES. WHITEHOUSE

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